

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-2-E - ORDER NO. 2014-608

JULY 25, 2014

IN RE: Annual Review of Base Rates for Fuel Costs)	ORDER ALLOWING
for South Carolina Electric & Gas Company)	MAINTENANCE OF
)	FUEL FACTORS AT
)	CURRENT LEVELS

This matter comes before the Public Service Commission of South Carolina (“the Commission”) on the request of South Carolina Electric & Gas Company (“SCE&G” or “the Company”) for an Order allowing the Company to maintain its fuel cost factors at the current level as was approved in Order No. 2014-380. By Order No. 2014-380, dated April 29, 2014, issued in this Docket, the Commission approved an adjustment to SCE&G’s total fuel cost factors. SCE&G’s review period for fuel costs was January 1, 2013, through December 31, 2013, and the forecasted period was January 1, 2014, through April 30, 2015. Under Order No. 2014-380, the Company’s approved total cost of fuel factors became effective with the first billing cycle of May 2014, continuing through the last billing cycle for April 2015.

In computing its total fuel cost factors, SCE&G, pursuant to S.C. Code Ann. § 58-27-865 (Supp. 2013), estimated certain fuel costs that the Company expected to incur during the forecasted period. Consistent with the methodology used in previous annual reviews of its base rates for fuel costs, SCE&G included in its estimate the cost that it

expected to incur as a result of the 1982 Nuclear Waste Policy Act ("NWPA"). Under the NWPA, generators of nuclear waste are responsible for the full costs of the disposal of civilian nuclear waste ("NWPA Fee"). As an operator of a civilian nuclear power reactor, SCE&G is assessed a NWPA Fee equal to 1.0 mil per kilowatt-hour on all electricity generated by its reactor and sold today. See 42 U.S.C. § 10222(a)(2). For accounting purposes, SCE&G treats the NWPA Fee as a component of the cost of nuclear fuel and records the cost of nuclear fuel in Account 518.

Based on its approved total fuel cost factors, SCE&G anticipates that, during the May 2014 - April 2015 time period, it will collect approximately \$5.3 million as a result of including the NWPA Fee in its fuel cost calculation. For a residential customer using 1,000 kilowatt-hours a month, the NWPA Fee represents about twenty-five cents (\$0.25) of the customer's total monthly bill.

By letter dated January 3, 2014, and in response to the decision of the United States Court of Appeals for the District of Columbia Circuit, *Nat'l Ass'n of Regulatory Util. Comm'rs v. U.S. Dep't of Energy*, 736 F.3d 517 (D.C. Cir. 2013), the Secretary of the Department of Energy ("Secretary") submitted a proposal to the United States Congress to set the NWPA Fee to zero. Under 42 U.S.C. § 10222(a)(4), the fee adjustment is effective "after a period of 90 days of continuous session [of Congress] have elapsed following the receipt of such transmittal [by Congress]." This 90-day period has lapsed and, effective May 16, 2014, the Secretary stopped collecting the NWPA Fee.

Under S.C. Code Ann § 58-27-865 (Supp. 2013), the Commission reviews the fuel costs of electric utilities annually. Specifically, § 58-27 -865(B) states, in pertinent part,

The commission shall direct each utility which incurs fuel cost for the sale of electricity to submit to the commission and to the Office of Regulatory Staff ... its estimates of fuel costs for the next twelve months [t]he commission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the commission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding twelve-month period.

In setting SCE&G's total fuel cost factors in Order No. 2014-380, the Commission recognized that the fuel cost factors would not result in the elimination of SCE&G's (under)-collection of total fuel costs for the succeeding twelve-month period. As of April 2014, SCE&G's actual (under)-collected balance of total fuel costs is \$59.6 million and its currently forecasted (under)-collected balance of total fuel costs is \$54.8 million in April 2015. Pursuant to Order No. 2014-380, the Company is authorized to charge carrying costs on its (under)-collected balance of total fuel costs. In accordance with § 58-27-865, SCE&G's (under)-collected balance will be addressed in SCE&G's 2015 Annual Review of Base Rates for Fuel Costs ("2015 Fuel Proceeding").

Rather than adjust its total fuel cost factors in response to the Secretary's action to set the NWPA Fee to zero, SCE&G requests authorization to (i) continue charging its current total fuel cost factors as approved in Order No. 2014-380 and (ii) apply the amounts recovered related to the NWPA Fee to SCE&G's (under)-collected balance of total fuel costs in its 2015 Fuel Proceeding. If approved, SCE&G anticipates that its

forecasted (under)-collected balance of total fuel cost set forth above will be approximately \$5.3 million less in April 2015 than currently projected. Moreover, SCE&G anticipates that the carrying cost charge related to the (under)-collected balance will also be less than expected because the total amount of the (under)-collected balance of total fuel cost will be less. Proceeding in this manner will mitigate any required adjustments to SCE&G's total fuel cost factors in the 2015 Fuel Proceeding. Accordingly, under SCE&G's theory, the benefit of maintaining the Company's total fuel cost factors at their current level, thereby reducing the (under)-collected balance, outweighs any nominal benefit of adjusting the fuel factors at this time to account for the recent elimination of the NWPA Fee. In the 2015 Fuel Proceeding, SCE&G will (assuming that the Secretary has not reinstated the NWPA Fee) remove the expense of the NWPA Fee from its forecasted cost of nuclear fuel.

Accordingly, SCE&G requests that the Commission issue an order authorizing SCE&G to maintain its total fuel cost factors at their current level as approved in Order No. 2014-380. We have examined this matter, agree with the reasoning as stated by SCE&G, and herein issue the Order allowing the Company to maintain its total fuel cost factors at their current level as approved in the stated Commission Order. We also agree with the position that reducing the (under)-collected balance outweighs the possible benefit of adjusting the fuel factors to account for elimination of the NWPA fee. We would note that the Company has stated that, barring reinstatement of the NWPA Fee, it will remove the fee's expense for its forecasted cost of nuclear fuel in the 2015 Fuel Proceeding. We believe that this is a reasonable approach under the circumstances.

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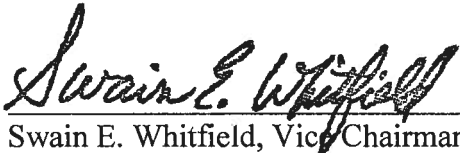
This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Nikiya Hall, Chairman

ATTEST:



Swain E. Whitfield, Vice Chairman

(SEAL)